

Staff Summary Report



Council Meeting Date: 9/8/2011

Agenda Item Number: 5D1

SUBJECT: Second and final public hearing to amend Chapter 16 of the Tempe City Code to clarify the taxability of sales of medical marijuana and related medical marijuana infused products for transaction privilege tax purposes by amending Section 16-100.

DOCUMENT NAME: 20110908fdpf01 TCC CH 16 - LICENSES, TAXATION & MISC BUS REGS, ETC. (0503-16) Ordinance No. 2011.30

COMMENTS: These proposed changes apply the changes adopted by the Municipal Tax Code Commission to clarify the taxability of sales of medical marijuana and related medical marijuana infused products.

PREPARED BY: Phil Falcosky, Tax Audit Supervisor (350-8685)

REVIEWED BY: Cecilia Robles, Budget Director (350-8881)

LEGAL REVIEW BY: Dave Park, Assistant City Attorney (350-8907)

DEPARTMENT REVIEW BY: Ken Jones, Finance and Technology Director (350-8505)

FISCAL NOTE: These changes clarify that sales of medical marijuana and related medical marijuana infused products are subject to City transaction privilege tax. Accordingly, the changes should result in an increase in privilege tax revenues.

RECOMMENDATION: Adopt Ordinance No. 2011.30

ADDITIONAL INFO: Proposition 203 legalized the sale of medical marijuana in Arizona. Such sales have been deemed taxable by the Department of Revenue and the Attorney General under State statute, but the language of the Model City Tax Code is slightly different, resulting in uncertainty as to the taxability of sales of medical marijuana and related medical marijuana infused products. These changes, adopted by the Municipal Tax Code Commission on April 29, 2011, clarify that such sales are subject to municipal transaction privilege tax by adding a definition of "Medical Marijuana" and modifying the definitions of "Food" and "Prosthetic". A correction to the formatting of the definition of "Speculative Builder" was made at the same time and is incorporated herein.